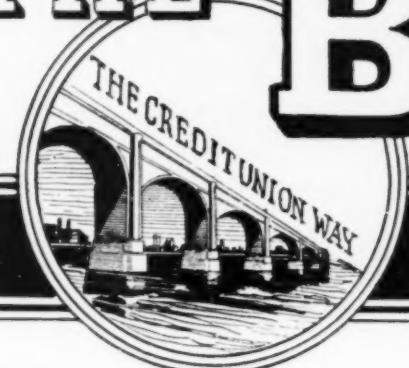


THE BRIDGE



The Way To Economic Betterment

October

1941



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THE CREDIT UNION NATIONAL ASSOCIATION

THE BRIDGE

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Your Voice In Washington

THE attitude of the Credit Union National Association toward Regulation W has been formulated by the Executive Committee, which has adopted a recommendation of the Policy Committee:

"That the Credit Union National Association at present declare it to be its policy in relation to Regulation W that the Credit Union National Association will cooperate with the Government in the enforcement of this regulation in the interests of national defense, but that we persist in our efforts to obtain modifications of some of the provisions of this regulation to relieve the strain of the regulations on credit union operation where such modifications are needed and will not detract from the effect of the regulations as part of the national defense program."

This policy is one of loyalty, but not uncritical loyalty. Nobody is burying his head in the sand. The interests of credit unions are being actively represented in Washington by men with a thorough knowledge of credit union practice and problems. At the preliminary hearing, William Reid, Thomas Doig, Nat C. Helman and Dora Maxwell represented the Credit Union National Association and succeeded in obtaining at least one modification of the original draft: the clause exempting loans for medical, hospital, dental and funeral expenses from the provisions of the regulation.

This activity is going forward. The voice of the Credit Union National Association already commands respect in Washington. Other loan agencies have come to CUNA with requests for support in obtaining modifications. Other amendments are in the air.

QUESTIONED about the future, assistant managing director Thomas Doig told *THE BRIDGE*, "We feel that after a loan has been on the books of a credit union for at least six months and one-third of the loan has been repaid, the credit union should have the right to renew this loan for another eighteen months without a statement of necessity, provided neither the original loan nor the renewal is being used to finance the purchase of a listed article. We are striving to amend Regulation W in this manner.

"We also feel," he said, "that in many cases the requirement that monthly payments be in amounts of five dollars or more is unjust and works a hardship on those people having the least in worldly goods. We shall strive to eliminate this minimum payment clause."

Credit unions may rest assured that their interests will be competently and conscientiously safeguarded.

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THE BRIDGE

A Monthly Magazine Devoted to the Credit Union Movement

Volume 6

OCTOBER, 1941

Number 18

Further Interpretation of Regulation W

THE United States Government is calling upon credit unions to cooperate in the national defense effort. This call by the Government has taken the form of a regulation issued through the Board of Governors of the Federal Reserve System, which regulation became effective September 1st and restricts consumer credit. Through this action the Government hopes to achieve four definite objectives:

(1) To reduce the consumer demand for heavy goods such as automobiles, etc., thus releasing the factories producing these goods for the production of war materials;

(2) To prevent tremendous price increases in these commodities which would automatically follow if the consumer demand continued steadily and production was decreased;

(3) To build a wall of restricted consumer credit behind which will accumulate a great volume of demand for consumer durable goods which can be released when the Government's defense program has been achieved and factories are released to return to the production of these goods, thus stabilizing employment;

(4) To decrease the indebtedness of the average citizen so that should depression come in the future as a result of discontinuance of the defense effort the average citizen would enter such a period unburdened by heavy debt.

These are worthy objectives to which we can all subscribe. We might question in our own minds the effectiveness of the methods employed to achieve these objectives but for the time being at least it would seem best to follow our Government's lead and to make the effort requested of us.

There are many things about the regulation we do not like. It smacks of class legislation and seems to place the burden of the defense effort on the shoulders of the man least able to pay. We have protested to the Government

By Tom Doig

on this score. On the other hand, we are told that democracy itself is at stake and since credit unions could flourish under no other kind of government, it is necessary first to preserve the democracy and second to preserve our credit unions as best we can during the emergency.

The Executive Committee of the National Association has seriously considered all angles of this matter and has decided that it shall be the policy of the Credit Union National Association to cooperate with the Government whole-heartedly in enforcement of the regulation during the period of the emergency. The regulation, however, is being accepted only because of the emergency and only for the period of the emergency. Whenever the emergency terminates we feel credit unions should be released from the regulation. We hope then that all credit unions will cooperate in enforcing the terms of the regulation during the period of the emergency.

Many questions will arise in the minds of officers of credit unions with regard to application of the regulation. It is the wish of the National Association to aid the Board of Governors of the Federal Reserve System and the administrative officials of the Federal Reserve Banks by clearing all credit union questions through our state leagues and National Association, thus preventing a bottleneck in the individual Federal Reserve institutions. We hope that all credit unions will send their questions to the state league or the National Association.

Now, let us discuss the regulation itself. In the first place, note that the following loans are entirely exempt from the regulation and may be made for any number of months and without regard to any other requirements of the regulation:

(a) Loans secured by bona fide first mortgages on improved real estate duly recorded;

(b) Loans of over \$1,000 made for materials and services in connection with repairs, alterations or improvements upon existing residential structures, even though such materials include articles listed in Groups A through D in the Supplement, provided the bona fide purchase price of such articles so listed does not exceed 50% of the total over-all deferred balance;

(c) Loans made to or for a student for bona fide educational purposes;

(d) Loans the proceeds of which are to be used for bona fide medical, hospital, dental, or funeral expenses. In this case the credit union must attach to its loan application a written statement signed by the borrower stating that the income of the borrower available for this purpose is such that he could not reasonably meet the requirements of the regulation otherwise applicable and failure to obtain the loan would cause undue hardship to him;

(e) Any (1) aircraft loans—see regulation or write us; or (2) Defense Housing loans—see regulation or write us;

(f) Any loan to a dealer in a listed article, whether a wholesaler or retailer, to finance the purchase of such article for resale;

(g) Any loan which is to be repaid within not more than twelve months and is made to a bona fide salesman of automobiles in order to finance the purchase of a new automobile to be used by him principally as a demonstrator;

(h) Any loan which is for the purpose of financing a premium in excess of one year on a fire or casualty insurance policy if the proceeds are paid directly to the insurance agency, broker, or company issuing or underwriting the insurance and the extension of credit is fully secured by the

unearned portion of the premium so financed;

(i) Any loan which is made to a person engaged in agriculture or to a cooperative association of such persons, provided that the loan (1) is approved by the Farm Security Administrator, or his authorized agent, as being necessary for the rehabilitation of a needy farm family, or (2) is for general agricultural purposes and is not for the purpose of purchasing any listed article and not secured by any listed article purchased within 45 days before the extension of credit. In determining whether a loan meets the description of clause (2) above, a credit union may accept in good faith a written statement signed by the borrower setting forth the facts relied upon to bring the loan within the description, and the facts set forth in such statement shall be deemed to be correct;

(j) Loans repaid in one lump sum;

(k) Loans of more than \$1,000 which are secured by collateral other than a lien on a listed article.

All other loans are subject to the regulation and divide themselves into two classes;

(1) Loans for general purposes, which are subject only to that portion of the regulation limiting the term of the loan to 18 months, and

(2) Loans supported by a lien on a listed article purchased within 45 days prior to the date of the loan or to be purchased after issuance of the loan.

Renewals and Revisions. The terms of any loans which were on the books of the credit union previous to September 1st may be revised **ONCE** after September 1st and the existing loan, without an additional cash advance, made for any number of months permitted by the law under which the credit union operates. This one revision of the terms of the note may take place at any time after September 1st whether previous to or following November 1st.

The terms of any loan on the books of the credit union previous to September 1st may be revised **ONCE** at any time after September 1st and additional cash advanced to the borrower, and this revised loan may be extended for any number of months permitted by the law under which the credit union operates provided that that portion of the renewed loan which is cash advanced after September 1st must be repaid to the credit union within 18 months. In other words, let us suppose a borrower owed to his credit union on September 1st \$300, and that on September 10th he applied to the credit union for a renewal of the loan in an amount of \$480 in order that he might have

\$180 cash. If the law under which the credit union operates will permit, this new loan may be written for 48 months at \$10.00 a month, as this \$10.00 per month would repay the \$180 new cash advance within the 18 months stipulated and the regulation permits the balance of the old loan to be repaid over any period of time which meets the requirements of credit union law.

After November 1st (with the exception of loans existing previous to September 1st) loans may be renewed only when supported by a statement of necessity from the borrower.

RECENTLY I attended a chapter meeting at which 300 credit union members were present, mostly officers and directors of individual credit unions. Some of the questions promulgated at this meeting and the answers given to these questions are listed below. These answers are at the present time correct in accordance with the most recent interpretation of the regulation. As changes occur you will be notified.

Q. If, after September 1st, our credit union loaned a member \$100 to be repaid in 10 monthly instalments of \$10 each and on November 10th, when he still owes us \$80, he applies for a renewal of the loan which would give him an additional \$80 in cash, can we renew his loan and make the renewed note, aggregating \$160, payable in 16 monthly instalments of \$10 each without a statement of necessity?

A. Yes, because both the original loan and the renewed loan would be repaid within 18 months from the date the original loan was made.

Q. If, after September 1, 1941, a member borrowed \$360 to be repaid in 18 monthly instalments of \$20 each and if after paying on this loan for 9 months (the unpaid balance now amounting to \$180) he applied for a renewal of this loan which included an additional cash advance of \$180 bringing the aggregate amount of the renewed loan back to \$360, could we make such a loan at that time and would this require a statement of necessity?

A. Yes, the credit union could grant this renewal and give the borrower the additional cash, provided that the renewed loan of \$360 shall require repayment at the rate of \$20 per month in order that it may be repaid within 18 months from date of renewal, and provided the borrower furnished the credit union with a statement of necessity.

Q. If the bona fide cash purchase price of an automobile is \$900 and the maximum credit value of the auto-

mobile is \$600, how much can we lend our member for the purchase of this automobile if we take a lien on the automobile as security for the loan?

A. You may lend him \$600 plus the cost of any insurance on the automobile and if the loan is on a discount basis and the interest is included in the principal of the note, you may lend him \$600 plus the cost of both the interest and the insurance.

Q. If a member of our credit union applied for a loan as outlined in the last question but offered endorsers or a share balance or a chattel lien on furniture which he had owned for more than 45 days as security for the loan instead of a lien on the automobile he was buying, how much could we lend him and for what term?

A. In case of a loan granted a member for the purchase of an automobile and supported by collateral as outlined in your question instead of by a lien on the new automobile, the credit union may lend the member the entire cost of the automobile or any other amount permitted by the law under which your credit union operates. In either of these two cases the loan must be repaid within 18 months.

Q. If our credit union lends a member more than \$1,000 does this loan come under the regulation?

A. A loan of more than \$1,000 is not subject to the regulation in any regard unless the credit union accepts as security a lien on a listed article purchased by the borrower within 45 days previous to the time the loan was granted or purchased after the loan was granted.

Q. Our member is buying a car, the cash purchase price of which is \$750, and his old car is worth \$250 as a trade-in. Can this turned-in car serve as the down payment and we lend him the balance of \$500 and take a lien on the new car as security?

A. Yes, his old car can serve in this case as the down payment and your credit union can lend him \$500 which would be the balance payable on the new car, plus the price of the insurance on the new car, and be in compliance with the regulation.

Q. Our member wishes to buy a mechanical refrigerator which costs \$120 and the seller is allowing him \$20 trade-in for his old ice box. My question divides itself into 3 sections: (a) Can the \$20 allowed as a trade-in be used as the down payment?

A. (a) No, the \$20 allowed as a trade-in can not be used as the down payment. The cash purchase price of the refrigerator is \$120 less the \$20 allowance; so that allowance is used

(Continued on page 244)

THE BRIDGE—October, 1941

How Many Loans Will Be Affected by Regulation W?

NO COMPLETELY reliable estimate is possible of how much credit union loans will be curtailed by Regulation W, the Federal Reserve Board's order restricting installment credit to consumers. But the figures tabulated on this page, compiled for *THE BRIDGE* by Art Sanborn from the records of the CUNA Mutual Insurance Society, seem to show that 35.71 per cent of the dollar-volume outstanding in loan balances has normally been written for a period exceeding eighteen months. These figures are based on an average of 277 credit unions reporting monthly, February to August inclusive, 1941.

Of individual loans, only 15.75 per cent are written for more than eighteen months. The average loan under eighteen months, the figures show, is for \$142; the average loan above eighteen months is for \$423. The difference in size accounts for the discrepancy between percentage of individual loans and percentage of dollar-volume written for more than eighteen months.

Looking the table over, it is interesting to note that by far the largest group of loans is written for eighteen months or less. The largest single group is written for twelve. Following in decreasing size are the groups of loans written for twenty-four, eighteen, twenty, ten, fifteen, thirty-six, thirteen, fourteen, six, sixteen and thirty months.

If the sample is conclusive, it means that the terms of repayment of about 35 per cent of loans will be affected. It does not mean, be it noted, that all these loans will be curtailed. Loans under eighteen months will also be affected in some respects, of course. Among the 35 per cent above eighteen months, there will be certain exceptions: loans made for medical or funeral expenses; loans for educational purposes; loans for general agricultural purposes, and others. On the other hand, in the remaining 65 per cent there are many loans affected by the clauses of the regulation other than the eighteen-month provision: especially by the down-payment requirement on listed goods.

How much the credit union can retain of the loan volume that would normally have been in the over-eighteen-months category will depend on several factors. For example, how many of the loans that would normally have been written for more than eighteen months can be cut down

to the eighteen-month limit? There is a large volume of loans written for twenty months shown in the accompanying breakdown and it would seem that many of these can be written for eighteen months without great hardship to the borrower. Incomes, which are rising at the present time, may help make this possible, although as the cost of living catches up with wages the trend will reverse itself.

Again, there may be a larger field for small loans. Borrowers who planned to buy new cars may satisfy themselves with used cars, especially now that the Government has ordered restriction of production in the largest automobile plants by 48 per cent. With many new men employed, the opportunity for remedial loan business to consolidate and liquidate old

(Continued on page 246)

Duration of Credit Union Loans

Based on sample of 277 credit unions reporting monthly to CUNA Mutual Insurance Society

Term	Number of Loans	Number Accum.	Amount	Accumulative
1 Month	416	416	\$ 57,863	\$ 57,863
2	413	829	17,606	75,469
3	965	1,794	48,538	124,007
4	898	2,692	56,278	180,285
5	1,489	4,181	99,835	280,120
6	1,685	5,866	123,093	403,213
7	948	6,814	77,111	480,324
8	889	7,703	94,294	574,618
9	782	8,485	88,369	662,987
10	3,749	12,234	407,901	1,070,888
11	649	12,883	91,760	1,162,648
12	7,198	20,081	1,178,552	2,341,200
13	704	20,785	136,742	2,477,942
14	548	21,333	124,060	2,602,002
15	1,143	22,476	255,935	2,857,937
16	435	22,911	108,691	2,966,628
17	316	23,227	85,536	3,052,164
18	1,658	24,885	490,480	3,542,644
19	184	25,069	62,727	3,605,371
20	1,554	26,623	475,565	4,080,936
21	133	26,756	52,427	4,133,363
22	162	26,918	57,058	4,190,421
23	146	27,064	59,882	4,250,303
24	1,542	28,606	701,570	4,951,873
25	162	28,768	70,172	5,022,045
26	67	28,835	33,507	5,055,552
27	40	28,875	19,371	5,074,923
28	53	28,928	27,392	5,102,315
29	20	28,948	12,179	5,114,494
30	203	29,151	100,801	5,215,295
31	21	29,172	13,158	5,228,453
32	19	29,191	10,917	5,239,370
33	27	29,218	18,926	5,258,296
34	22	29,240	12,109	5,270,405
35	10	29,250	6,093	5,276,498
36	208	29,458	154,434	5,430,932
37	7	29,465	5,743	5,436,675
38	8	29,473	6,389	5,443,064
39	6	29,479	6,415	5,449,479
40	16	29,495	11,056	5,460,535
41	5	29,500	5,060	5,465,595
42	4	29,504	3,665	5,469,260
43	5	29,509	5,543	5,474,803
44	2	29,511	1,799	5,476,602
45	1	29,512	480	5,477,082
46 & Over	27	29,539	30,737	5,507,819

Note: The accuracy of these figures is somewhat affected by the fact that the loans reported are not new loans but the loans on the books at the time of the monthly report. A few credit unions included are reporting for the first time, which slightly alters the true picture.

The first column shows the number of loans outstanding at each repayment schedule; the second shows, cumulatively, the number of loans repayable within the specified number of months. The third column shows dollar volume outstanding at each repayment schedule; the fourth shows, cumulatively, in dollars the loans repayable within the specified number of months.



Credit Unions in the PHILIPPINES

By Allen R. Huber

IN JUNE, the fourth grade in Pias lacked two children; it would have closed and the teacher would have had to resign, but a credit union loan enabled the sons of Pedro and Bonifacio to make up the quota.

It happened like this. Pedro borrowed a hundred pesos from the credit union in June. With half of this sum he paid off the mortgage on his

farm, the yield from which is almost enough to support his family. He also paid his children's tuition.

Bonifacio held the mortgage on Pedro's farm. Bonifacio's wife had been sick for two months, due to continuous wine-drinking at night and going to the gambling joint to play monte with other women. She had become pale and unhealthy, and Boni-

facio called in Dr. Navarro. With the 50 pesos from Pedro, Bonifacio was able to pay Dr. Navarro; he also hired several unemployed men to clear and cultivate a piece of land to be planted with upland rice; his wife gave up drinking basi and card-playing and got well; and their son entered fourth grade.

So the fourth grade stayed open.

But the credit union money continued to circulate. Dr. Navarro used the 20 pesos he received from Bonifacio to order two hundred bamboos from four farmers in the nearby village of Maglabi. He hired some fishermen from Pangil to repair his kitchen, toilet and the fence around his house.

The fishermen finished the job in two days and were paid. On their way home, they passed the Presidencia (or government building) and stopped in to pay for their fishing licenses.

The farmers from whom Dr. Navarro bought the bamboos owned large parcels of land but were delinquent in their tax payments. They had heard of the credit union before, and when they received the money from Dr. Navarro, they called at the credit union office. The money from Dr. Navarro was not enough to pay the back taxes, so they borrowed 80 pesos additional. Late in June, each had bought one share in the credit union and paid his taxes in full.

Their tax payments helped to create a surplus fund for the improvement of the site of the Presidencia. Mayor Bagasao designated July 5, which was a holiday, as a day on which public-spirited persons would be employed for repairing the fence and road in front of the Presidencia.

There was a good deal of talk as the work went on. Bonifacio told the people around how the credit union money had helped him. A policeman, who was asking one of the crowd for a chew of betelnut, remarked that because the farmers from Maglabi had paid their taxes, he had received two months' pay. Dr. Navarro overheard the policeman and told how his toilet and kitchen had been repaired with credit union money. Mrs. Domingo, the fourth-grade teacher, said that she would no longer be teaching her class if the credit union money had not enabled Pedro and Bonifacio to send their children to school. A fisherman announced that he had paid for his fishing license, and a farmer said he became a member of the credit union by depositing the payment for bam-

boos he had sold for repairing the fence around the Presidencia.

A mass meeting was held in the afternoon, and the history, principles and purposes of cooperation were explained. All were happy and said they had never before heard of such a heavenly gift. After the meeting, some of the laborers took twenty, thirty, forty or fifty centavos from the day's pay and deposited it on shares in the credit union.

July 6 was Sunday, and Mayor Bagasao was surprised to hear the Sunday School lesson about the trials of Job. He said that good men are usually tried by the wicked, but he said these trials only strengthen the good men's purpose to help humanity as leaders of cooperatives. Before the service ended, a prayer of thanksgiving was offered for the good work done by God through the Pias Credit Union this June.

The first credit union in the Philippines was organized in August, 1938, by a group of members of the Church of Christ (Disciples). We had fixed in our hearts the conviction that the credit union will work here, too. Today there are twenty-three parish credit unions with 1,800 members, 40,000 pesos in share capital and 60,000 pesos loaned to members. There are also two educational credit unions, two government employees' credit unions and two for the members of cooperative stores. The parish credit unions are distributed as follows: Church of Christ (Disciples), 18; United Church, 1; United Brethren, 1; Methodist, 1; Presbyterian, 1; Roman Catholic, 1. The two educational credit unions are organized at Silliman University and Union College. Besides credit unions, there are also in the Philippines 570 Rural Credit Associations, which are loan associations using government money rather than members' savings.

THE average Filipino is poor. The reader might be interested to know that 68 per cent of the population is rural, and of the farmers 38 per cent do not own their own work animals and 35 per cent do not even own their own plows. In the Philippines there are a few very wealthy, but the masses are very poor. Many spend their lives in debt.

Our greatest problem is financial illiteracy. We are amazed at the number of good people who allow their loans to become delinquent and consequently pay double the amount necessary. We have worked out a Credit Rating Chart for our members. Any member who has a 51 per cent credit rating can borrow again. Any member who has less can borrow

only an amount equal to his deposits.

We have to counsel with our members to prevent them from over-borrowing; we have to persuade them to borrow only for productive or provident purposes. The credit union seems like a gold bank to many of them. Slowly, however, by means of education more and more are coming to see that the credit union can help them get out of debt and become owners of

needs fifty pesos to pay his son's tuition in college. He has only five pesos in shares and therefore can borrow ten pesos, which is twice as much. But ten pesos is not enough. So he signs a note for 90 pesos, deposits 40 in the credit union making total shares of 45, and receives 50 pesos in cash.

Juan pays interest on 90 pesos, reduced after each payment, until he has paid off the note. He then has a share balance of 45 pesos plus interest at 6 per cent. He is out of debt and on his way to economic independence, thanks to the credit union. No good for the States, you say? Perhaps you are right, but it is an evolutionary banking principle out here where so many people live and die in debt.

From our beginning in Vigan, Ilocos Sur, in 1938, we are spreading over the Philippines, thanks to aggressive Filipino leaders who feel the need and are grateful for a technique to meet the needs of their people.

Rev. Silvestre Morales, a nearly blind evangelist, is our best organizer to date. He not only helps others to organize, but is a member of the credit committee of the largest credit union in the islands, which has 577 members and 10,000 pesos in share capital. Like other credit union enthusiasts, Morales is most impressed by the human side of cooperative banking. He wrote recently about a family of four that had long dreamed of having a sturdy house of their own but saw no way of financing it; now they have joined a credit union and borrowed six hundred pesos, and the house of their dreams is a reality.

ANOTHER leader is Julio Pascua of the town of Pias. Pascua is part-owner of a grocery store and an elder of the church. Some time ago he saw the need in his community for a cooperative store, but he did not know how to obtain sufficient capital for so ambitious a project. Three years ago he got a loan from the Vigan Credit Union. Last year, 925 persons received patronage dividends from the store; the Pias Credit Union has 175 members and did a 2,400 peso business in June. In some respects, this credit union is the most interesting in the Philippines; it now proposes to clear all farms in the community of mortgages through the credit union with the cooperation of the Agricultural and Industrial Bank.

A few weeks ago, I and some others passed through Pias and found Pascua and his members very sad. Robbers had broken into their little bank building and carried away the safe, which contained all their notes and some money. The members asked us

(Continued on page 244)



Rev. Allen R. Huber
Missionary and Credit Union Pioneer

their own use-property: houses, gardens, plows and water buffaloes.

All fines go into the reserve fund. Fines are not excused for any cause, but the credit rating is kept up for those who are unable to pay due to death or a real emergency. Approximately 50 per cent of our loans are delinquent at some time or other, but we have not been forced to charge off any bad loans or collect any loan through the courts. Our members usually take more time than they expect to pay off their loans, but most of them will pay. Even when the fines are added to the interest, the credit union rate is so much lower than the common rate in the towns and villages that our credit unions are growing in popularity.

One of the most interesting of several Filipinized credit union principles is that which we call our compulsory thrift plan. We have a ruling that a member must have half as much in shares as he borrows. However, since few of our members have enough in shares at first to meet their credit needs, we allow them to borrow up to a maximum of 200 pesos or 10 per cent of assets, but we compel them to deposit on shares one-half of what they borrow. We pay them 6 per cent on these shares, and they pay on what they borrow at the rate of 1 per cent per month on unpaid balance.

Perhaps we can make this clearer by an illustration. Juan dela Cruz

Meeting in Chicago

CUNA Executive Committee holds quarterly meeting; Bergengren feted at banquet; Filene Fund rises to \$140,000; Stout elected to CUNA Mutual Board; Regulation W steals the show

AMID the blood, sweat and tears shed over Regulation W, CUNA's Executive Committee held its quarterly meeting September 6 and 7. The CUNA Mutual Board met September 4 and 5; the CUNA Supply Board met September 8. The scene was Chicago, and many a room in the Hotel Sherman stank of cigar smoke and echoed with the clauses of the Federal Reserve Board's regulations before the week was up.

At a banquet held September 6, Roy F. Bergengren, managing director of the Credit Union National Association, was honored for the com-

pletion of twenty years service to the credit union movement—first with the Credit Union National Extension Bureau, later with CUNA.

A parade of checks in the banquet room brought the total of the Filene Memorial Fund up within a whisper of the goal—from \$105,000 before the meeting to \$140,000. The full sum of \$150,000 being now within arm's reach, the architects were authorized by the Executive Committee to go ahead with their drawings. Guests at the banquet totaled 262 and came from all over the Union—Massachusetts, California, Louisiana, Washington,

ton, New York, Florida, Oregon, New Hampshire, as well as the adjacent tiers of Middle Western States.

Highlights of the meetings included:

The voting of a \$10,000 contribution to the Filene Memorial by the Executive Committee of CUNA Mutual;

The election of Hugh Stout of Oregon to fill a vacancy on the CUNA Mutual Board;

A report to the CUNA Executive Committee by Nat C. Helman which made it seem likely that CUNA Mutual will be reorganized in the near future in a way to insure democratic control and facilitate wider expansion of activities;

A resolution adopted by the CUNA Executive Committee establishing a policy of cooperation with the Government in the enforcement of Regulation W.

CUNA Executive Committee

"There were 3,400 credit unions in the United States when we opened our office in 1935," reported Roy F. Bergengren to the CUNA Executive Committee. "The present total is 9,800, and we have, in addition, 375 affiliated credit unions in Canada.... CUNA is now composed of 48 leagues, three of them in Canada.

"The membership of the National Board has increased from 38 in the beginning to 116 at present. The CUNA office staff was originally 6; it is now 70. Recently two States have enacted credit union laws—Maine and Vermont—bringing the total of State laws to 44. In addition, since we started operating, the Canadian laws have increased in number until now there is an excellent law in every province of Canada, as well as in Newfoundland.

"The CUNA Mutual Society, organized in 1935, has just passed \$100,000,000 in coverage. . . . The CUNA Supply, the Bonding services and other departments of CUNA are moving forward irresistably. . . . THE BRIDGE is rapidly getting out of debt under Mr. Hyland's careful management and the splendid direction given it by the two committees, headed up by National Director West. The all-important Organization and Education Department has recently added two men to its staff. . . .

"This is not the time, in my judgment," Mr. Bergengren emphasized, "to curtail normal loan service con-



The CUNA Executive Committee in action. Left to right: Bergengren, Reid, Pinkney, McKeever, Schroeder



Left to right: Bergengren, McKeever, Schroeder, stenographer, Sheeley, Suominen, Hillebrandt, Pinkney.



Framed between Reid and Bergengren: Barry, Hyland, Weidler, Little, Claywell.

sistent with governmental regulations. As I understand these regulations, they are designed to curtail installment purchasing of heavy-duty goods. This is a field which we have entered in relatively recent times. The extension of the credit side of banking to the masses of the people is our big job.

"It is a fact that chattel mortgage security has been restricted. It is a fact that we shall have more regulation of certain phases of our loan business. But our primary business remains. I wonder also whether the present situation should not result in close study of other forms of security. Is the chattel mortgage the best security from the standpoint of our operations, which operations have to do primarily with the best interests of working people? I have in mind a credit union which depends for the security on a loan to one of its members on a power of attorney which they have all signed which pledges to the loan the combined resources of the whole credit union. This may seem a fantastic plan of security, but it is basically cooperative."

Mr. Bergengren offered seven recommendations:

"It seems to me," he said, "that our primary interest now is in these problems which are incidental to the times in which we live; that involves (1) cooperation in the Government's plans, but protection of our rights and every effort to eliminate unusual restrictions on our liberty of action when the emergency is over. (2) better audits; (3) a careful review of all matters pertaining to security and (4) a study of loan insurance; (5) a review of defalcations and (6) central banking against the needs of the post-war period. Finally we must do something about (7) automobile insurance."

Thomas W. Doig, assistant manag-



The directors of CUNA Mutual: Davis, Pratt, Reid, DeRamus, Stout, Moore, Shanney, Feller, Farr, Conrod

ing director, reported 508 new credit unions organized in the five-month period from April 1 to August 31. He recommended that the National Association supervise the organization of credit unions in Maine and Vermont under the State laws passed this year.

"On Saturday, May 24," he announced, "Miss Maxwell and I attended a meeting of credit unions in Hamilton, Ontario, and at this meeting, which was attended by approximately two hundred people, the Ontario Credit Union League was

formed. The League voted unanimously to affiliate with the Credit Union National Association, and the application for membership has been turned over to the managing director."

Mr. Doig turned to certain problems connected with bonding. "On June 11," he said, "the Fidelity & Deposit Company notified CUNA it had no intention of reinstating the bond of Mr. Hugh Stout of Portland, Oregon. The Oregon and Washington Credit Union Leagues had previously expressed great dissatisfaction with the method in which this matter was being handled. Therefore, at the request of the managing director, I visited Baltimore, and after a conference the bonding company agreed to reinstate the bond if the National Association would agree to visit Portland, discuss the matter with the board of directors of the Portland Teachers Credit Union and with the supervisory committee of that credit union and do everything in our power to aid the credit union to function properly.

"Within the next thirty days I visited Portland and found nothing unusual about the operating practices of the credit union, nor anything irregular about Mr. Stout's method of managing the credit union. However, this visit brought very forcibly to my attention the fact that many of us, operating our credit unions, do little things each day which under certain circumstances would subject us to possible cancellation of our bond. I found that the supervisory committee of this credit union had been examining the records of the credit union regularly in accordance with the law and the by-laws. In fact, I looked over the reports of this committee for the last three years. And still we had a great deal of difficulty about this bond.

"I would suggest that, for the protection of bonded persons, there be a much closer relationship between the National Association and the members of supervisory committees of credit unions. It is my opinion that



Pratt, Chairman of the FCA Contact Committee, reports to CUNA Executive Board



The CUNA Supply Board. Around the table from the left: Pottiger, stenographer, Boberg, Dean, Schuman, Hyland, McKeever, Hillebrandt, Fuller, Oldham, Rieger, Gregory, Beales.



Bergengren speaks at a banquet in his honor

a bulletin service should be established by CUNA for the members of supervisory committees, and that this service be supported by subscriptions from the credit unions (it need not be costly). The bulletins issued should be confidential, should contain information regarding each defalcation and should also be educational.

"I would suggest further that an expert accountant be added to our field force next year, with the thought in mind that he could work auditing service in with field work and thus gradually develop an auditing service within the National Association. This man could be sent out on request of credit unions, provided the credit union agreed to pay reasonably for the services rendered."

Other business of the Executive Committee included a recommendation for further study of the possibility of a program of automobile insurance, and a visit to the offices of the architects where sketches for Filene House were examined and tentatively approved.

CUNA Mutual Board

Earl Rentfro, general manager of CUNA Mutual, reported to his board.

"The Society is now well over the \$100,000,000 mark in total coverage in force, which is classified as of June 30 as follows:

Contracts		Coverages
Loan Protection	3,587	\$ 87,310,054
Life Savings	488	10,923,708
Group Life Savings	10	187,291
Group Life Insurance	9	1,517,650
Ordinary Life	429	351,812
Renewable Term	369	580,400
Single Premium	62	96,818
Total	4,954	\$100,967,723

"For the first six months of 1941 the premium income was \$389,456 and the principal items of the June statement show the following figures in comparison with the same items reported at the last meeting:

Surpluses	Assets	Claims	Coverage
March			
\$210,806	\$438,169	\$126,140	\$89,925,412
June			
278,970	518,970	244,666	100,967,723

"To July 31, 1941," Mr. Rentfro said, "a total of 8,282 claims have been paid in the amount of \$1,138,627."

Among the business transacted by the meeting was the voting of a \$10,000 gift to the Filene Memorial from the Society's surplus.

The election of Hugh Stout to fill a vacancy on the board had its novel features: Mr. Stout was the first man ever to be nominated to the board by



Clauter, Illinois League President, pays tribute to Bergengren

petition from policy-holders. One hundred credit unions had signed a petition offering his name in nomination.

CUNA Supply Cooperative

Mr. Bergengren reported to the board of directors of CUNA Supply,

"I note a 30.9 per cent increase in billings for the first five months of our fiscal year over the corresponding months of last year. Our July shipments, \$13,802, show a fine increase over July of a year ago, \$10,667. We should come close to a total business of \$200,000 for the year, against \$148,000 last year."

"The patronage dividend," reported Bert F. Beales, manager, "in the amount of \$7,451.21 has been distributed, the checks being in the mails this past week, with the exception of several State leagues who granted us permission to apply such dividends against their accounts payable to the Cooperative, in this way reducing their account with us and at the same time helping our cash position materially."

"We were cognizant," Mr. Beales said, "of the rapidly changing conditions of the various markets, the one most affecting us be-

(Continued on page 246)



A parade of checks brings the Filene Fund up to \$140,000

Effects of Military Service Law

On Chattel Mortgages and Conditional Bills of Sale

By Nat C. Helman

Counsel, Credit Union
National Association

IN THE December and January issues of THE BRIDGE, there appeared an analysis of the effect on credit union operation of the Selective Military Service Law and the Soldiers and Sailors Civil Relief Act, both of which became laws in October, 1940. There was one phase of the law which was touched upon but not fully discussed in that article and, I believe, requires further comment and elucidation. That is, the effect of these laws upon chattel mortgage transactions and conditional bills of sale, when accepted by credit unions as collateral from persons who are about to enter or are in the service of the armed forces of the United States.

That we may have a full picture of the problem, I quote the sections of the law which are directly applicable to conditional bills of sale and mortgages.

Sec. 301

(1) No person who prior to the date of approval of this act has received, or whose assignor has received, under a contract for the purchase of real or personal property, or the lease or bailment with a view to purchase of such property, a deposit or installment of the purchase price from a person or from the assignor of a person who, after the date of payment of such deposit or installment, has entered military service, shall exercise any right or option under such contract to rescind or terminate the contract or resume possession of the property for nonpayment of any installment falling due during the period of such military service, except by action in a court of competent jurisdiction: Provided, that nothing contained in this section shall prevent the modification, termination, or cancellation of any such contract, or prevent the repossession or retention of property purchased or received under such contract, pursuant to a mutual agreement of the parties thereto, or their assignees, if such agreement is executed in writing subject or subsequent to the making of such contract and during or after the period of military service of the person concerned.

(2) Any person who shall knowingly resume possession of property which is the subject of this section

otherwise than as provided in subsection (1) hereof shall be guilty of a misdemeanor and shall be punished by imprisonment not to exceed one year or by fine not to exceed \$1,000, or both.

(3) Upon the hearing of such action the court may order the repayment of prior installments or deposits or any part thereof, as a condition of terminating the contract and resuming possession of the property, or may, in its discretion, on its own motion, and shall, except as provided in Section 303, on application to it by such person in military service or some person on his behalf, order a stay of proceedings as provided in this Act unless, in the opinion of the court, the ability of the defendant to comply with the terms of the contract is not materially affected by reason of such service; or it may make such other disposition of the case as may be equitable to conserve the interests of all parties.

Sec. 302

(1) The provisions of this section shall apply only to obligations originating prior to the date of approval of this Act and secured by mortgage, trust deed, or other security in the nature of a mortgage upon real or personal property owned by a person in military service at the commencement of the period of the military service and still so owned by him.

(2) In any proceeding commenced in any court during the period of military service to enforce such obligation arising out of nonpayment of any sum thereunder due or out of any other breach of the terms thereof occurring prior to or during the period of such service the court may, after hearing, in its discretion, on its own motion, and shall, except as provided in section 303, on application to it by such person in military service or some person on his behalf, unless in the opinion of the court the ability of the defendant to comply with the terms of the obligation is not materially affected by reason of his military service:

(a) stay the proceedings as provided in this act;
(b) make such other disposition of the case as may be equitable to conserve the interests of all parties.

(3) No sale under a power of sale or under a judgment entered upon warrant of attorney to confess judgment contained in any such obligation shall be valid if made during the period of military service or within three months thereafter, unless upon an order of sale previously granted by the court and a return thereto made and approved by the court.

Sec. 303

No court shall stay a proceeding to resume possession of a motor vehicle, tractor, or the accessories of either, or for an order of sale thereof, where said motor vehicle, tractor, or accessories are encumbered by a purchase money mortgage, conditional sales contract, or a lease or bailment with a view to purchase, unless the court shall find that 50 per centum or more of the purchase price of said property has been paid, but in any such proceeding the court may, before entering an order or judgment, require the plaintiff to file a bond, approved by the court, conditioned to indemnify the defendant, if in military service, against any loss of damage that he may suffer by reason of such judgment or order should the judgment or order be set aside in whole or in part.

It is important to observe that the sections which I have quoted relate to two types of transactions, one of which may be generally characterized as the conditional bill of sale or bailment given at the time of the purchase of the article as security for the repayment of

the purchase price; and the other, the chattel mortgage given by the owner of the article as security for a loan made to him. The first type is taken by credit unions by assignment from the vendor or seller of the article and the other is taken from the owner of the chattel mortgage as security for a loan made to him.

In each instance, the credit union often secures endorsements by persons, other than the borrower, as additional collateral security.

This latter fact, I strongly emphasize, should not be overlooked in the interpretation and application of the provisions of the laws we are discussing.

Section 301 applies to conditional
(Continued on page 241)



Maybe your chapter needs

A Two-Day Camp Meeting

The Columbus, Ohio, Chapter held one in September with excellent results

By ED KIMBALL

SO YOU'RE on the chapter program committee, searching for some new activity that will fit into next year's plan? Then take a tip from the Columbus (Ohio) credit unions. One hundred thirty-five committeemen, directors and members from thirty-seven central Ohio credit unions attended sessions of the second annual two-day meeting held at Camp Wildwood on Saturday and Sunday, September 6-7.

There is bound to be a tremendous amount of interest in any credit union gathering, no matter when or where it is held, particularly with such a goodly number of enthusiasts in attendance. Add a well-planned program, including discussions of pertinent present-day problems, place a complete display of all credit union helps before the group, and fill the in-between-times with acceptable recreation. Stage your meeting at a camp in the out-of-doors, where it is so easy to get acquainted. You just can't help having the most beneficial chapter meeting of the year.

Perhaps the plan of the entire meeting can best be described by reprinting the Columbus Chapter Camp Meeting program:

Saturday—September 6:

2:30-2:45 p.m. Check in at camp
Inspect the beauty of Wildwood, meet your friends, select a bunk, etc.

Greeters, Iva Wynn, Chapter Secretary and Hugh Mercer, Cols. Auto Parts Fed. C.U.

2:45-3:00 p.m. Opening Assembly
Get acquainted and off to a good start.

Leader, Gus Linsley, Chapter President.

3:00-4:30 p.m. Group Discussions.
For Directors—How can the board make the credit union more effective? What should a director know? What problems must directors consider at this time? Etc.

Chairman, Howard Ailes, Ranco Employees C.U.

Leaders, Ed Bohnekamp, Aluminum Industries Fed. C.U. For Credit Committeemen—What about installment type purchases? What policy should the credit committee follow? Should loans be restricted? Etc. Chairman, Jim Farrell, New York Central Fed. C.U. Leader, C. R. Orchard, Director, Federal Credit Union Section. For State Audit Committeemen—Does the changed State law affect the work of the audit committee? How to conduct a more effective audit? How to complete an audit re-

4:30-5:15 p.m. General Assembly
What's new in the credit union movement? Have we a challenge? Where should the emphasis be placed?

Chairman, Gus Linsley, Chapter President.

Leader, C. R. Orchard, Director, Federal Credit Union Section.

5:15-6:30 p.m. Recreation
Ping pong, badminton, etc.

Leader, Hugh Mercer.

6:30 p.m. Dinner
Toastmaster, Allen Harlor, Sohio Employees C.U.

The after-dinner program in-



A fine crowd attended the credit union camp and took part in discussion groups and recreation

port? Etc. Chairman, Ken Valentine, A.F.G.E. Credit Union. Leader, Charley Burger, Kemba Cincinnati Employees C.U. For Federal Supervisory Committeemen—How to conduct an effective audit? What are the responsibilities of the supervisory committee? What about audit reports? Etc. Chairman, Ed Smith, Cols. Auto Parts Fed. C.U.

Leader, Ken Moseley, Field Representative Federal Credit Unions.

For Educational Committeemen—What is an effective educational program? What place does the bulletin have in the credit union? How can we have a better annual meeting? Etc. Chairman, Bill Ochsenwald, Gasco Employees C.U.

Leader, Bob Platter, Assistant Managing Director, Ohio Credit Union League.

cluded a xylophone solo, a vocal octet, a comedian and magician, all members of local credit unions. Professor Harvey Walker, Treasurer of Ohio State University Credit Union, gave an inspiring address on his experiences with the organization of three local credit unions.

9:00 p.m. Dancing to the tunes of the Rhythm Kings, a three-piece orchestra.

Sunday—September 7:

8:30 a.m. Breakfast
Leader, Iva Wynn, Chapter Secretary

9:30-10:45 a.m. Discussion Groups
Reserves, Earnings, and Bad Loans.—Should a lower dividend be considered for this year? To what extent should delinquent loans be covered by reserve? What are adequate reserves? Etc.

Chairman, Herb Williams, Cols.

Teachers Fed. C.U.

Leader, C. R. Orchard, Director, Federal Credit Union Section. Credit Union Insurance—This was the first opportunity for Columbus credit unions to contact a representative of CUNA Mutual; therefore an interesting session was built around the many questions developed by the group.

Chairman, Solon Butcher, Sohio Employees, C.U.

Leader, Jack Fortnum, Chief Accountant CUNA Mutual Defense Bond Committees in Action—Ways and means whereby credit unions may help in the Defense Bond Program. Chairman, Kathryn Duffy, Morehouse-Martens Employees C.U. Leaders, Members of the Chapter Defense Bond Committee.

10:45-12 noon. Discussion Groups

The Changed State Law—What changes were made in the Ohio Credit Union Act? How will they affect the operation of the credit unions? What should we do about our by-laws to conform with these changes? Etc.

Chairman, Roy Bilger, Ohio Farm Bureau Employees C.U. Leader, Harry Shifflette, Chief Examiner Ohio Division of Securities.

Training Personnel and Credit Union Office Management—An opportunity was given to employees and treasurers of larger credit unions to discuss ways and means of making their offices more effective.

Chairman, Parintha Spencer, Presco Fed. C.U.

Leader, Paul Deaton, National Cash Register Employees C.U. A Policy Program for the Future—A discussion of the decisions arrived at during the course of the camp meeting and a policy program for future action.

Chairman, Bob Brush, Express Company Employees Fed. C.U. Leader, John Withrow, National Director and Past President, Ohio Credit Union League.

12:00-1:30 p.m. Recreation Period

1:30 p.m. Dinner

Introduction of all guests

Group picture

Leader, Ed Kimball, Camp Committee Chairman.

The number attending each of the discussion groups made it very practical, since the groups were small enough so that each member had the opportunity and felt free to take part.

The Saturday-evening session was designed to cover possible features for annual meeting programs, including group participation on the dance floor.

Real credit union atmosphere can best be created by exhibiting all worthwhile phases of the movement. Besides, visual conception of what others are doing really carries the ideas home. In the camp central lodge, amidst a fine array of CUNA posters and a picture of our founder, Edward A. Filene, the committee displayed eleven exhibits covering general credit union information and chapter activity. These displays were all prepared and assembled by members of the committee and included Educational Bulletins, a collection of bulletins, posters, pass-book inserts, etc.; Educational Source Materials, reference materials for educational committees; Credit Union Transactions, a picture on standard forms of the ordinary transactions from pass book to the financial statement; Credit Union Forms, all CUNA forms for credit unions operating in Ohio; Accounting Equipment, a CUNADEX, small credit union desk and a National Cash Register bookkeeping machine; The Organized Movement, showing the position of credit union, chapter, league, National Association and its affiliates; Filene Building Campaign, a report on the accomplishments to September 6; Chapter Achievement Award, showing the exemplary award and how it is won by the outstanding credit union in the district each year; THE BRIDGE, the moving exhibit of THE BRIDGE and accomplishments in the chapter on new subscriptions; Way Back When, eighteen pictures of local leaders in their infancy; and The Chapter In Action, pictures of all committees and many of the chapter meetings held during the past year.

NNATURALLY enough, such a project requires considerable planning and work. However, it is the type of thing that even busy credit union officers and committeemen enjoy doing. It is a job for a large committee so that the interest and responsibility can be spread. Columbus Chapter used a committee of twelve, including all those named as chairmen of the various discussion groups. So elated were these committee members over their part in the 1941 camp meeting, that they now suggest the formation of a camp meeting club which will perpetuate the idea from year to year.

Results obtained from any project should not necessarily be measured at the time or place of climax. The point to be made is that the meeting adjourned on Sunday, September 7 at

2:45 p.m., but the inspiration to carry on still prevails. In short, the results can best be measured by the renewed interest and action on the part of the attendants back in their own credit unions. Perhaps this is due to the fact that every effort was made to make the Second Annual Columbus Chapter Camp Meeting, a powerhouse of credit union ideas and inspiration.

Amendments in Oregon

Supplementing the article "Credit Union Legislation Reviewed" in the September BRIDGE, we now have a report from Oregon covering eight amendments to the credit union law obtained during the 1941 legislative session. They provide—

That notice to members is not required when proposed amendments to by-laws are to be voted at a meeting;

That unsecured loans may be made up to \$150 and, in credit unions with assets exceeding \$100,000, up to \$300;

That capital includes dividends credited on shares;

That officers may pledge shares as collateral (this is the subject of two amendments);

That the supervisory committee must verify members' passbooks against treasurers' records at least once a year;

That the superintendent of banks shall have power to prescribe rules and regulations which are "reasonable or necessary";

That the superintendent of banks may liquidate a credit union which he deems to be violating its by-laws or any rules or regulations prescribed under the credit union law.

Connecticut Picnic

A picnic held by the credit unions of Connecticut netted \$1,520.32 for the Filene Memorial Fund.

It was held at Lake Quassapaug late in August. Tickets for admission were sold at three for a quarter. More than 27,000 tickets were sold.

Kelly at Work

John L. Kelly, assistant managing director of the Illinois Credit Union League, is back at work after a long convalescence.

New Credit Unions in August

There were 80 new credit unions chartered in August in the United States and its territories.

FROM THE MANAGING DIRECTOR'S DESK

HERE we are—with my front yard accumulating leaves faster than I have time to rake them up—with fall at hand and winter just around the corner. And yet there has been no let up in the credit union program. Next month I will try to summarize the progress of the summer. For this report I will confine myself to two subjects, the Filene Memorial and Regulation W. The two have very little relationship to each other (except that we could handle much more efficiently the circularizations, etc., required by Regulation W if we were properly equipped, as we will be in Filene House) but they are the two problems pressing hardest for solution.

Since the last issue of *THE BRIDGE* we have had the Chicago Filene Memorial meeting which, as noted elsewhere in this issue, brought the total available for the building up over \$140,000. This whole business of raising \$150,000 for the first unit of Filene House has been something of a marathon run. You will recall that the official marathon is a 26 mile race from Natick, Massachusetts, to Boston. It is run on the 19th of each April and there are generally over a hundred contestants. They all start at once but, as the miles stretch out, one contestant after another falls out and only a hardy few are there at the finish. They tell me that the last mile is the hardest, a fact which is very easy to believe and, strange as it may seem, the last mile is the only one that counts. Many a good man has lasted, well up in front, through the 25th mile only to have that last mile get him. The first 25 miles are only the preface. The race is won in that last gruelling mile.

It's just like that with the Filene Memorial. It has been a very long run—three years in fact. Most of it has been up hill. We are all pretty tired of it and yet we must make that last mile or lose the race!

Will we make it?

The Trustees and the Executive Committee have authorized architects to draw final plans. It will take until early December to get the plans finished. The Executive Committee will pass on them at the December 13th meeting.

Will we then have the whole \$150,000, all tucked away in the bank, ready to translate Filene House into a reality? That's the problem which is giving us now much concern.

We have learned something about the potentialities of Filene House this

By Roy F. Bergengren

summer. Because we have the site and because we are so close, we have had an unending procession of visitors all summer. They have come from far and near. Generally the party has consisted of a credit union member, his good wife and a couple of kids. They have been on vacation and have found Wisconsin a great vacation State and Madison a great vacation city.

And, when you come to think of it, the average credit union member, if he is ever to visit National headquarters, must come in the summer. It must be a vacation project, for that is the only time he can come. And right across the street from our location is a fine sand bathing beach along the shore of a very beautiful eight-mile lake. In front of our site is a lovely little river and across the river a city park which has everything in it that children and adults alike love in a park—a fishing pool for children, bathing pools, tennis courts. Anyone coming to visit Filene House can swim and fish in the lake or try his luck with his rod in the little river. Filene House is in the very heart of a most entrancing vacation city. The credit union member can bring his family up to see us in the summer time without feeling that he is robbing his wife and kids of their well earned vacation.

That's important. Filene House is going to be a real national headquarters, a place to come to, a credit union home to be proud of.

Next month we should have some advance information on the plans. We hope to build a first unit which will

satisfy the hundreds of thousands of credit union members who have contributed to it that we have done a very real job, truly worthy of their support.

What has your own credit union done to help us build Filene House? Have you done all that you can do? What have the credit unions in your chapter area done? Have they done all they can do? I am mindful of a State League picnic composed of all Federal Credit Unions which raised over \$1,500 for the Memorial as a by-product of the picnic.

This is still a big chore—but it is a worthwhile undertaking. Filene House will symbolize the beauty, the strength and the solidarity of the credit union movement as no other one thing could do.

And the slogan is still—"let's build Filene House!"

Regulation W

As this is being written (September 24) we have just been invited to send another delegation to Washington to discuss Regulation W with the Federal Reserve System Board of Governors. Tom Doig and Bill Reid will again represent us. We know now where the shoe pinches. There is the matter of refinancing which we hope to have modified in some fashion as will enable us to continue our normal business as nearly as possible. The \$5 minimum monthly loan repayment is too high. We make a great many small loans, repayable at 25 or 50 cents a week. We hope to have that modified. And there is the matter of loans entirely secured by shares, which we hope to induce the Board to permit us to make as usual.

We anticipate that, when the emergency is over, those abnormal things which are required by the emergency will be promptly discontinued. We anticipate that then credit unions will be promptly permitted to return to their normal operations.

Meantime, we have faith that every reasonable thing will be done to amend the regulations whenever it is found that undue hardship results from their operations. There must of necessity be an experimental period under the new rules, but doubtless specific problems will present themselves from time to time. The National Association and the State Leagues will cooperate in every possible way to meet these problems as they are encountered. Meantime—the credit union movement marches forward as usual.



Consumer Loans in June

OUTSTANDING loan balances of State and Federal credit unions at the close of June, 1941, totaled \$216,100,000, according to the Department of Commerce. This figure represents a 25 per cent advance over outstandings of a year ago.

Loan balances of State-chartered societies made up 71 per cent of the total; the remaining 29 per cent was held by Federals.

Loans made during June are estimated at \$32,700,000, a slight decline from the preceding month but a 13 per cent gain over June, 1940. Credit union members paid off \$26,800,000 on loans during June, 1941.

The first six months of the year show a total business of \$185,700,000 for all credit unions. This total was 16 per cent higher than the figure for the first six months of 1940.

These Department of Commerce figures are estimates based on reports from 1,313 credit unions.

Personal finance companies lent \$87,000,000 during June, 1941, bringing outstanding balances at the end of the month to \$527,000,000. The figure on loans is a 10 per cent increase over June, 1940, and outstandings increased 12 per cent in the same period.

Industrial banking companies made consumer loans of \$51,800,000 during June, 1941, and increase of 10 per cent over June, 1940. Loan balances at the end of the month stood at \$306,300,000, an increase of 10.1 per cent over a year ago.

"When Is a Loan Shark Not a Loan Shark?"

The following incident is true and occurred in Wichita during the last week of July, 1941.

A young man, formerly a member of our credit union but not eligible for membership now, wanted to borrow \$150 to buy furniture for his home. Wishing to avoid the loan sharks, he went to a well-known "plan bank" and asked for \$150.

Of course they were glad to make him a loan as soon as they learned he was making a good salary. However, he must sign his life insurance over to them and get two satisfactory co-signers. Then they would discount the interest rate, fees, etc., paying him \$131.55, and he would repay them \$150 at \$12.50 per month. What was the interest rate? Was it reasonable?

If you borrow \$131.55 from the credit union and pay it back in twelve installments, the cost is \$8.58—no more—and you do not have to sign

over your life insurance to the credit union because the credit union insures all its loans at no expense to the borrower. This so-called bank wanted \$18.45 for exactly the same loan. The credit union charges 1 per cent per month on unpaid balance. That is 12 per cent, while the other concern's rate is between 25 and 30 per cent.

This so-called bank is a nationwide institution having "banks" in

nearly all the larger cities. They advertise loans at a "reasonable" rate, and they say they are not loan sharks.

P. S. The young man did not take the loan. He decided their rates were too "reasonable." — *Credit Union Booster*, published by Wichita (Kan.) Postal Employees Credit Union.

First in Jamaica

The first credit union to be organized in the island of Jamaica, British West Indies, has just registered its by-laws. It is called the Clerks Credit Union, Ltd., and operates in Kingston.

A Quiz for Credit Unionists

Here are ten questions on subjects relating to credit unions. Tim Dodd of the Washington State Credit Union League answered nine out of ten correctly. How well can you do?

1. Edward A. Filene thought credit unions are a good thing because
 - a. They will eventually put the banks out of business
 - b. By providing cheap credit, they make it possible for people to spend more money for consumers' goods
 - c. He was a victim of loan sharks
 - d. Hitler has destroyed the democratic character of credit unions in Germany
2. The person or group of persons in a credit union responsible for approving loan applications is
 - a. The treasurer
 - b. The supervisory committee
 - c. The credit committee
 - d. The president
3. The percentage of automobiles bought on the installment plan in the United States last year was
 - a. 20 per cent
 - b. 95 per cent
 - c. 53 per cent
 - d. 64 per cent
4. When the Massachusetts Credit Union Law was passed in 1909, the State Banking Commissioner was
 - a. Calvin Coolidge
 - b. Roy F. Bergengren
 - c. Louis Brandeis
 - d. Pierre Jay
5. A study of 107 illegal loans in Kansas, based on evidence collected for the Attorney General shows that the commonest loan was for two weeks at a charge of 10 per cent for that period. The annual rate of interest was
 - a. 42 per cent
 - b. 88 per cent
 - c. 120 per cent
 - d. 260 per cent
6. The primary function of a credit union, according to the Credit Union National Association, is to
 - a. Provide a chance to invest money at a profitable return
7. The best reason why a credit union should affiliate with its State League is
 - a. The State League needs money
 - b. The State League protects the interests of credit unions throughout the State
 - c. The State League has picnics in summer
 - d. It gives members a chance to travel
8. At the close of 1940, credit unions in the United States had outstanding loan balances of
 - a. \$189,200,000
 - b. \$560,000,000
 - c. \$89,320,00
 - d. \$14,500,000
9. Regulation W is
 - a. An army rule making it unnecessary for privates to salute officers out of uniform
 - b. A law requiring re-licensing of motor boats over 35 feet in length under the Bureau of Lighthouses
 - c. An order by the Federal Reserve Board restricting installment credit to consumers
 - d. A ruling of the Federal Housing Administration affecting electrically wired farmhouses
10. The credit unions that weathered the depression best were the credit unions that
 - a. Invested their money in real estate
 - b. Bought carefully selected stocks in bonds
 - c. Kept their money working in the form of loans to members
 - d. Developed profitable side lines

Answers on Page 244

FEDERAL SECTION

By HOWARD MACE
Editor Cooperative Saving

PRESIDENT Roosevelt's Executive Order, granting the Federal Reserve Board power to control the extension of consumer credit, has naturally caused credit union officials a great deal of concern and has raised many questions in their minds. However, with the issuance of the regulations of the Federal Reserve Board, the effects of this control upon credit union operations have been more definitely established. The release of these regulations, known as "Regulation W", has helped to answer many of the questions in the minds of credit union officials.

Credit union leaders generally are of the opinion that the regulations do not seriously affect credit unions. On the contrary, they feel that the control offers certain benefits to the credit union movement because its basic effect is to bring credit unions back to the most important credit union purpose—that of promoting thrift among the members.

Credit union officials everywhere realize that the order of President Roosevelt was issued in the interests of the nation as a whole, and for that reason they are cooperating willingly and wholeheartedly with the Government. All are giving their enthusiastic support to Uncle Sam in his efforts not only to insure the success of the defense program but also to spare the American people from the disastrous effects of an unbridled inflation.

Defense Bond Sales

Appreciation for and recognition of the important part being played by credit unions in the Defense Savings Bond campaign has been pleasingly expressed by the Treasury Department's Defense Savings staff. In a recent issue of its "News Letter" the Defense Savings staff reported that, as of July 31, 1941, Federal credit unions had qualified as issuing agents. Since that date many more have qualified to perform this important service for the Government.

The "News Letter" mentioned particularly the participation by Federal credit unions serving the employees



of the following firms, all located in Connecticut: Yale & Towne Manufacturing Company, Pitney-Bowes Postage Meter Company, Colt's Patent Fire Arms Manufacturing Company and the Electric Boat Company.

A number of the chairmen of the various State Defense Savings Committees, as well as field representatives of the Treasury Department, have pointed out the advantages offered by credit unions as issuing agents for the sale of Defense Bonds and Stamps to their members and to the general public.

Regulation W Again

As mentioned above, the issuance of the Federal Reserve Board's regulations has answered many questions about how the curbs on extensions of credit will affect the normal operations of credit unions. Circular Letter FCU 59, dated August 28, issued

by the Credit Union Section, explains how these regulations apply to Federal credit unions and what must be done to comply with the Order and the regulations.

Although these and similar statements issued by CUNA and many of the State Leagues have done much to indicate the effects which the control will have upon credit unions, it is recognized by many that this important matter should be made the subject of free discussion in credit union league and chapter meetings so that everyone may fully understand it.

It is with this thought in mind that Miss Julia Connor, managing director of the Pennsylvania Credit Union League, has suggested that credit union officials arrange chapter meetings for the purpose of explaining and discussing consumer credit control. The members of the staff of the Credit Union Section are willing to take part in chapter and league meetings of this nature throughout the country as far as their other duties will permit.

Defense Bond Rally

Active participation and enthusiastic interest keynoted the District of Columbia Credit Union League's Defense Bond Rally held recently in cooperation with the Credit Union Section. Some 100 local leaders of the credit union movement took part in the interesting program, which included speeches by Director C. R. Orchard of the Credit Union Section,

E. B. Coleman of the Federal Reserve Bank of Richmond, Va., and two members of the Treasury Department's Defense Savings Staff.

Machine Bookkeeping

A subject in which credit unions which have experienced rapid growth are particularly interested—machine bookkeeping—is discussed in detail in a pamphlet recently issued by the Credit Union Section.

"Machine Bookkeeping Systems for Federal Credit Unions" presents a plan to be followed by the individual credit union's board of directors in reaching a satisfactory conclusion on the question of whether machine bookkeeping offers the proper answer to the accounting problems facing the credit union.

The plan, which the pamphlet gives comprehensive treatment, involves the following three major steps: (1) Survey existing operating policies, practices, and routines; (2) investigate the several pen-and-ink types of ledgers; and (3) study the various bookkeeping machines available.

Tax Anticipation

There are some indications that the Treasury Department may give credit unions which are serving as issuing agents for the sale of Defense Bonds the right to receive applications for the new interest-bearing tax anticipation notes. However, it appears that all credit union officials can do their part in this program merely by encouraging their members to make use of the regular credit union facilities.

By putting aside a few dollars every month in their share accounts, credit union members will be well prepared to meet what promises to be a much heavier tax burden next year.

Federal Reserve C.U.

The Defense Savings Bond program has brought many State and Federal credit unions into intimate contact with the Federal Reserve Banks in the various districts of the Federal Reserve System. In one case it appears that these contacts have spread the credit union movement, for the employees of the Federal Reserve Bank of Chicago, hearing about the credit union, decided to organize one of their own. As a result a new Federal credit union, which bears the name "7-G Federal Credit Union," came into existence in mid-August with a potential field of membership of 1,700 persons.

Effects of Military Service Law

(Continued from page 235)

bills of sale and the like, and Sec. 302 applies to chattel mortgages.

While the two sections are somewhat different in their language, they both in substance provide that where it is desired to repossess property secured in one case by a conditional bill of sale or in the other case by a chattel mortgage and where the instrument was executed prior to October 8, 1940 by a person who has since been called into the Military Service, that repossession or foreclosure may not be had unless application is made to a court of proper jurisdiction.

The court may, upon the making of such application, in the case of the conditional bill of sale, permit repossession of the article provided the installments paid are refunded or prevent repossession entirely by staying the proceedings or "make such other disposition of the case as may be equitable to conserve the interests of all parties." It is this phrase that is really the gist of both of these sections. In the final analysis, it is absolutely within the discretion of the court to determine what disposition to make of the proceedings so as to conserve the rights and interests of all parties concerned without doing injury or injustice, in the one case to the person in the military service, and on the other hand to the holder or owner of the obligation, the credit union.

In view of the many varied circumstances which may arise, it is difficult and in fact impossible to offer any suggestion as to what the court will do in each instance. Suffice it to say that each case can only be determined by the court upon the peculiar or particular circumstances of the case involved.

In both sections 301 and 302 there is an exception made with regard to transactions which involve motor vehicles, tractors, and accessories (Sec. 303).

It is there provided that when an instrument covers that type of property which comes within the category of motor vehicles, tractors and accessories and less than 50% of the purchase price of the property has been paid, then the court may not prevent the repossession of the article. However, the court may, before permitting the repossession of the article, require the credit union to file a bond to indemnify the debtor against any damage which he may sustain if it shall subsequently appear that the judgment was erroneously granted. If 50% or more of the purchase price

has been paid, then the court has the right to stay the proceedings as provided in Sec. 301 and 302 and prevent repossession of the article, but under those conditions, the court is undoubtedly under obligation to make other provisions which will be equitable to the credit union and to the debtor.

It is to be observed that Sec. 303 does not apply to chattel mortgages which are given as security for a loan but only applies to conditional bills of sale and chattel mortgages which are given as part payment of the purchase price of the article. Where the chattel mortgage is given as security for a loan and even if it is given on a motor vehicle, tractor, and accessories, the provisions of Sec. 302 apply.

In both Sections 301 and 302 it is provided that they apply only to such instruments as were executed prior to the date that the law came into effect; that is prior to October 8th, 1940.

From this, one normally concludes that if the instrument was executed after October 8th, 1940, and even though the person who executed the instrument had since entered the military service, the credit union could proceed to repossess without regard to the provisions of Sec. 301, 302, and 303. From a technical viewpoint, that is true. But from a practical viewpoint, especially in so far as credit union operation is concerned, a different situation presents itself.

In many transactions, the credit union, in addition to its chattel mortgage or conditional bill of sale, re-

quires that the borrower furnish endorsements of other persons as additional security: this, for the reason that the chattel itself may not prove to be sufficient security. When it becomes necessary, by reason of default, to re-possess or foreclose on a chattel, whether there are accompanying endorsements or not, it is obligatory upon the credit union to obtain a deficiency judgment if the chattel is of insufficient security.

In order to obtain any deficiency judgment, it is essential that a suit be instituted in a court of law. Where the maker of the obligation under such circumstances has entered into the military service, we come in contact with the provisions of Section 200-205, inclusive, of the Soldier's and Sailor's Civil Relief Act, which we discussed in the December and January issues of *THE BRIDGE*.

Since a suit or proceeding in a court of law must be instituted in most every instance, it appears to be a good policy for credit unions, whenever the defaulting debtor has entered into the military service, to re-possess the chattel given as security only through court procedure; this, even though the mortgage or conditional bill of sale was given after October 8th, 1940.

We particularly direct your attention to the fact that failure to comply with any of the provisions of the Soldiers' and Sailors' Civil Relief Act with regard to these matters may expose the credit union to both civil and penal consequences.

Consumer Loans by Canadian Banks

CONSUMER credit, as measured slight falling off in these loans due to increasing employment. One bank reports that there is little change in the purpose for which loans are made. Its classification at the beginning of the war showed that about 12 per cent of its loans were made for medical, dental and hospital expenses, 30 per cent for debt consolidation, 9 per cent for taxes, insurance premiums and mortgage payments, 6 per cent for educational purposes, 10 per cent for household purchases in the durable goods class, and 33 per cent for clothing, coal, store bills and miscellaneous purposes.

There has been a definite curtailment by banks of loans for durable goods. This was emphasized by bankers interviewed. They also reported that retail stores are planning to put into effect some restrictions on installment purchases of this type of goods, through larger down payments and shorter credit periods.

While most banks report that the present volume of small loans is about equal to that at the outbreak of the war, a number of banks report a

percentage of personal or small loans in delinquency very low, and report that practically all of these delinquencies are now being cleaned up because of better employment conditions. — *The Burroughs Clearing House*.

TRENDS OF THE TIMES

Five Million New Taxpayers

The tax bill passed by Congress and signed by the President in September will make nearly 5,000,000 new income-taxpayers. It will raise \$303,000,000 additional revenue, of which the new taxpayers will contribute about \$47,000,000. The rest of the increase will be paid by old taxpayers, whose burden is greatly increased.

Exemptions have been lowered, and rates have been sharply raised. Single people, whose exemption was formerly \$800, must now begin to pay at \$750. The exemption of married people, formerly \$2,000, is reduced to \$1,500. A surtax of 6 per cent added to the old tax rate of 4 per cent on the first \$2,000 of net income, will pinch some taxpayers until they blister.

The single man with an income of \$1600, who last year would have paid \$28.16, this year will pay \$78.60. The married man with an income of \$1900, who paid no tax last year, will pay \$27.60. The old tax of 4 per cent on net income remains, allowing deductions for personal exemption, business expenses, charitable contributions, certain taxes and a 10 per cent deduction on earned income; the new surtax is placed on net income without allowing the 10 per cent deduction for earned income.

On the first \$2,000 of taxable income, the surtax is 6 per cent; on the second \$2,000 it is 9 per cent; on the third \$2,000 it is 13 per cent. In the lower brackets, the surtax has been raised between 6 and 9 per cent; in the middle brackets—incomes from \$10,000 to \$50,000—the increase runs about 17 per cent; in the top brackets, the rises are considerably smaller and on incomes over \$750,000 the increase is only 2 per cent. This, of course, is the range in which the levy becomes mainly a corporation tax.

Taxes on luxuries and semi-luxuries will hit the groups that escape the income tax. There is a tax of 6 per cent on local telephone bills, 10 per cent on toll calls costing more than 24 cents, 10 per cent on telegraph, radio and cable messages.

The tax on tires is increased from 2½ to 5 cents a pound; on tire tubes from 4½ to 9 cents a pound.

The tax on whiskey goes up from \$3 to \$4 per gallon.

A 10 per cent tax is placed on phonographs, optical equipment, luggage, sporting goods, toilet preparations, rubber articles, commercial washing machines. Also on electric, gas and oil appliances; jewelry, furs, electric signs, business machines, musical in-

struments, theater admissions over ten cents, club dues over \$10 annually.

A 5 per cent tax is placed on electric light bulbs.

The tax on playing cards is increased from 11 to 13 cents per pack.

No attempt was made to readjust excess profits taxes on corporations. Senator LaFollette tried to get an upward revision of estate taxes, but without success.

Baruch Urges Price Control

"We have talked for years," said Bernard M. Baruch to the House Banking and Currency Committee, "of taking the profit out of war. Price control is one of the ways to do it. The inflationary process offers an opportunity to many to reap huge rewards, while the average person with a fixed income must tighten his belt.

"I must emphasize that no tax program alone can recapture all excessive profits. Profits must also be controlled at their source, which is rising, runaway prices. We must not have a crop of defense millionaires to parallel 1918 war millionaires.

"I don't believe in piece-meal price fixing," he said. "I think you first have to put a ceiling over the whole price structure, including wages, rents and farm prices, up to the parity level and no higher, and then to adjust separate price schedules upward separately, if necessary, where justice or governmental policy so requires."

Mr. Baruch told the Committee that he thinks Leon Henderson is the best qualified man for the job of chief price-fixer.

Prices Continue Upward

The inflation of wages has moved faster than the inflation of prices, says the Bureau of Labor Statistics. Food prices have gone up 12 per cent in the last year, 10 per cent since March; the cost of living has risen 7½ per cent since the war began; but average weekly pay checks have increased 32 per cent in the same period.

This trend differs from the events of the first two years of the World War, when the cost of living rose 14 per cent and wages lagged behind.

Wholesale food prices have been rising faster than retail prices, however. Despite the fact that retail prices are the highest they have been in ten years, they have risen only 12 per cent. Wholesale prices have risen 24 per cent, and prices to the farmer have risen 36 per cent. John Logan, president of the National Association of Food Chains, says the difference is due to the fact that retailers have cut the cost of distribution 18 per cent since 1933. But nobody doubts that food prices will rise steadily, especially as the autumn shadows deepen and farm production falls off.

Prices on other commodities are rising rapidly. According to the Fairchild price index, silk piece goods have risen 13.5 per cent over a year ago, cottons 15 per cent, sheets 12.1 per cent, furs 27.3 per cent and furniture 19.9 per cent.

Factory workers' wages may be rising even faster, but people with fixed incomes can feel the difference.

Morgenthau Attacks Commodity Hoarding, Fears Inflation

"We have been talking about inflation for a long time," said Secretary of the Treasury Morgenthau in September, "as if it were a threat remote from our daily lives. It is a distant threat no longer. We are facing it now, and we must deal with it at once.

"Let us look at the record to see what happened a generation ago. In 1916 the cost of living began to rise sharply but there were few who saw its significance. It was only when prices had risen by 70 per cent that President Wilson recommended any steps to prevent inflation.

"The consequences were so serious for every American that there must be many housewives even today who can remember them. By 1920, a ten-pound bag of sugar cost \$2.67, a dozen eggs cost 92 cents, a ten-pound bag



of flour cost 88 cents, a pound of butter cost 76 cents and a pound of pork chops cost 50 cents.

"We have now, as we had then in 1916, a moderate rise in the cost of living, a great rise in wholesale prices and a still greater rise in the prices of basic commodities like wheat, hogs, cotton and lumber. It is the rise in the prices of basic commodities that constitutes our red light, our warning signal, today, for such a rise is always the advance guard of an increase in the cost of living.

"I wonder," Mr. Morgenthau said, "if the housewife knows, when she pays 15 per cent more than she did a year ago for a bag of flour, that our supply of wheat is the largest on record, and that 498,000,000 bushels of several years crops are available in our neighbor democracy of Canada.

"The most effective way to prevent a damaging rise in prices is, quite simply, to release surpluses from storage . . .

"The Government now holds or controls 7,000,000 bales of cotton in reserve, and cotton prices have risen from 9½ cents a pound on August 1, 1939, to over 17 cents at the present time.

"In spite of this rise of not far from 100 per cent in two years, Congress recently sent to the President a bill to freeze Government stocks of cotton and wheat for the duration of the war . . . The President promptly vetoed the bill . . .

"We ought not," Mr. Morgenthau urged, "to withhold cotton surpluses, or any surpluses, from the market in times like these . . . Millions of people still go without the milk, butter and eggs which, according to the testimony of food experts and the dictates of plain common sense, are necessary to good health and good morale. Yet the reserve stocks of butter, cheese, beef and pork now held in this country are higher than they were a year ago and far higher than the average of the past five years."

And Also—

Figures show manufacturers of consumer goods making greater gains in profit than manufacturers in heavy industry . . . Commercial loans by banks reach a ten-year high . . . The business gains of regional cooperative wholesales is abreast of or ahead of general business increases, reports the Cooperative League . . . Furniture dealers are sore about Regulation W; at the convention of their National Association, they said a 20 per cent down payment on a cook stove is too much to ask, and a \$5 a month minimum payment is unfair . . .



"Most complete and efficient system for Credit Unions"

— says E. F. GRAAFF, *Treasurer, Farmall Employees Credit Union, Rock Island, Ill.*



"EXPERIENCE has taught us," says Mr. Graaff, "that the NATIONAL Window-Posting Machine system works to the advantage of both members and office.

"Because members' pass-books are posted at the same time as the ledger account — in one operation without the use of carbon — their balances are always in agreement with ours. The machine-printed figures are always neat and accurate.

"We in the office benefit from the control over receipts and disbursements the machine affords. At the end of the day, the automatically accumulated totals furnish us with all necessary information for the proper control and administration of our affairs.

"We find that our NATIONAL operates equally well as a Back-of-the-Window Posting Machine, posting weekly from a Payroll

Summary Sheet to our members' share and loan accounts. In fact, it is the speediest we have seen, and has handled a 25% increase in our posting without additional employees. After two years of experience, we are sure that it is the most complete and efficient system available for Credit Unions."

The NATIONAL representative will be glad to show you how other Credit Unions operate efficiently with NATIONAL machines. Call him in—and arrange a demonstration.

INVESTIGATE

National

ACCOUNTING MACHINES

The National Cash Register Company
Dayton, Ohio
Mechanized Posting and Control
for All Types of Accounts

National

Credit Unions In The Philippines

(Continued from page 231)

to hold a prayer service for them.

When we returned the next day, all were happy again. The safe had been found hidden in the bushes eighty yards away. The robbers had been unable either to open the safe or to carry it any further, so they hid it. Pascua told us that they had had a thanksgiving service in the chapel.

Our three great pressing needs in the Philippines are more adequate education, legislation and supervision. We are making progress in education. We have issued two credit union study-booklets: "Ti National Credit Union," a 65-page booklet which sells for five cents, and "A Credit Union Handbook" in English. Our most recent promotional leaflet for the Vigan Credit Union gives such pertinent facts as purpose, membership, area, entrance fee, location of office, name of treasurer, office hours, information about shares and loans, loan record, names of officers, facts about government supervision, affiliation, borrowers' problems, brief history and information about BRIDGE subscriptions. We got the idea from a leaflet sent by a friend in the States.

The Philippine credit unions are deeply indebted to America and especially to Roy F. Bergengren for granting permission to translate and print his writings in the Philippine dialects. We have adapted and translated into Ilocano and Tagalog much of the material in his books "CUNA Emerges" and "Credit Union North America." We stress education and are doing everything possible through our daily newspapers, church periodicals and study-booklets to familiarize our Filipino brethren with credit union principles. Progress is being made at an ever-increasing pace, and we are hoping to have five thousand credit unions by 1948, the centennial of Raiffeisen's first credit union. We have the full cooperation of the Philippine Government and the educated leaders of the nation.

The credit union movement is young in the Philippines. The most obvious things are human needs which we must meet by God's help and man's ingenuity. We refuse to believe that poverty cannot be eliminated from the face of the earth. We accept the credit union as an effective tech-

nique in helping us onward with our plans for a brotherhood of good and prosperous men and women.

There are times when we may seem over-enthusiastic and enroll among our saints Filene, Bergengren, Doig and Orchard. One critical brother even used his church paper to accuse me of making credit union membership a condition of entrance into heaven. This was an exaggeration.

We accept the credit union for what it is—the most effective means yet known for bringing credit to the masses of men. Let us, therefore, join hands across the sea and step up the tempo of credit union organization throughout the world. Tomorrow must be a better day.

Further Interpretation of Regulation W

(Continued from page 228)

up in arriving at the cash purchase price, which is \$100.

Q. (b) How much can we lend our member if we take a lien on the new refrigerator as collateral for the loan?

A. (b) You may lend him 80% of this cash purchase price, or \$80, if you take a lien on the refrigerator as security for the loan and this \$80 must be repaid in 18 months.

Q. (c) How much can we lend him if we accept co-makers as security for the loan?

A. (c) If you accept co-makers as security you may lend him the whole \$100 he needs to buy the refrigerator, but the loan must be repaid within 18 months.

Q. If a member of our credit union has owned a car or furniture or other listed article for more than 45 days, can we accept this article as collateral and still be free from the regulation as to down payment?

A. A listed article which has been purchased 45 days or more previous to the date of the loan may be accepted as security for the loan without regard to a down payment.

Q. In your letter of August 28th you stated in paragraph 4 that loans of certain types were exempt from the regulation. Does this mean that we would be permitted to make loans in that group for more than 18 months and not to exceed 24 months as called for in our charter?

A. You are right in assuming that the loans listed under paragraph 4 of my letter of August 28th may be made for the full 24 month period permitted under Federal law, provided that any requirements with regard to statements from borrowers set forth in paragraph 4 of my letter are complied with. Credit unions operating under state law may make these loans

for any number of months which the particular law permits.

Q. Section 5 of paragraph 4 of Regulation W provides that after January 1, 1942, loans must be repaid in amounts of not less than \$5.00 per month. We presume any loans that are in force on January 1, 1942, will continue to be paid on the basis as originally set forth in the loan papers and that any new loans made after January 1, 1942, will have to be made on a basis whereby at least \$5.00 per month will have to be paid on same.

A. It is true that any loans on your books previous to January 1, 1942, may be repaid in amounts of less than \$5.00 per month if in other respects they meet the requirements of the regulation. After January 1, 1942, the regulation requires a payment of at least \$5.00 a month.

Q. In Part B of Section 8, "Renewals, Revisions and Additions after November 1st" an example is given of how the payments are to be made on the renewal unless a statement of necessity form is signed by the borrower to the effect that the increased payments would work a hardship on him if set up on this basis. As far as this part of the regulation is concerned, we are clear but we are wondering if CUNA is going to prepare a statement of necessity form available for the various credit unions or will we be able to procure these from the Federal Reserve Bank. We believe it would be better for CUNA to work up a form, if they have not already done so, that would be acceptable to the Board and then all items of this nature would be uniform.

A. The Federal Reserve Board will draft its own statement if necessary. We hope very much that this statement will be drawn in relatively simple form.

Q. Will Regulation W affect our making a loan for longer than 18 months to a member who has given his share account as collateral?

A. Yes. All loans (except those specifically exempted in the regulation) are limited to a period of 18 months, regardless of what type of collateral secures the loan.

Q. If a member borrowing money states in his application that he is borrowing to buy an automobile and is not giving mortgage on the car but securing endorsement of other members, will this loan be subject to the regulation, which only allows us to loan him 66 2/3 percent of the value of the automobile?

A. If a member is borrowing money for the purchase of an automobile and so states in his application and then offers shares or co-makers or something other than a lien on a listed

THE ANSWERS

to the quiz on page 239

1. (b); 2. (c); 3. (d); 4. (d); 5. (d); 6. (b);
7. (b); 8. (a); 9. (c); 10. (c).

article as collateral, the loan is only subject to that portion of the regulation which limits it to a term of 18 months. It is not subject to that portion of the regulation governing down payments unless a lien on a listed article is accepted as security for the loan.

Q. Will you kindly advise whether the listed articles, such as automobiles and refrigerators, mean used as well as new articles.

A. The term "listed article" includes either new or used equipment, with the exception of household furniture in which case the term "listed article" means only new household furniture.

Watch THE BRIDGE for further interpretation of Regulation W.

The Average Member in Utah

The average wage of credit unionists in Utah is \$1,440, according to "The Utah Credit Unionaire," publication of the State League.

There are 54 credit unions in the State with a total membership, as of December 31, 1940, of 11,325. Earned income of credit unionists is therefore \$17,000,000 annually.

Twenty per cent own their own homes, with real estate valuation in excess of \$130,475,000. More than 40 per cent own automobiles averaging three years old and assessed at \$2,600,000.

Average savings per member in 1940 was about \$80.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933

Of The BRIDGE, published Monthly at Mount Morris, Illinois for October 1, 1941.

State of Wisconsin **1**

Before me, a Notary Public in and for the State and County aforesaid, personally appeared J. Orrin Shipe, who, having been duly sworn according to law, deposes and says that he is the Editor of the BRIDGE and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication, the data being taken at the time required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. The names and addresses of the publisher, editor, managing editor and business managers are: Publisher, Credit Union National Association, 1342 East Washington Ave., Madison, Wis.; Editor, J. Orrin Shipe, 1342 East Washington Ave., Madison, Wis.; Managing Editor, J. Orrin Shipe, 1342 East Washington Ave., Madison, Wis.; Business Manager C. G. Hyland, 1342 East Washington Ave., Madison, Wis.

2. That the owner is (1) a corporation. Its name and address are to be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners are to be given. If owned by a firm, company, or other unincorporated concern, its name and address as well as those of each individual member, must be given. Credit Union National Association, 1342 East Washington Ave., Madison, Wis., a Wisconsin corporation not for profit and without capital stock.

3. That the known bondholders, mortgagees, and other security holders, owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders, as far as known and ascertained, but also the names of the stockholders or security holders appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom the trustee is acting, and also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders do not appear upon the books of the company as trustee, holder stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, is sold or given away during the twelve months preceding the date shown above is **1**. (This information is required from daily publications only.)

J. ORIN SHIPE
(Signature of editor.)

Sworn to and subscribed before me this 19th day of Sept. 1941.

O. H. EDGERTON
(Seal.) (My commission expires March 4, 1945).

Regulations Affecting Aliens

THE period for registration of aliens with deposits of \$1,000 and over has passed, but it may be well to reiterate the position of aliens in credit unions.

Any alien who came to the United States before June 17, 1940, is eligible to the full privileges of credit union membership. Credit unions may also continue to do business freely with all aliens, regardless of the date of entry, who come from—

The American republics: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Uruguay, Peru and Venezuela;

The British empire: The United Kingdom (England, Wales, Scotland and Northern Ireland), the British Dominions (Canada, Australia, New Zealand, the Union of South Africa and Newfoundland), Eire, the Isle of Man, India, Egypt, Anglo-Egyptian Sudan, Iraq, all colonies and protectorates under the British Crown and all mandated territories administered by the United Kingdom or any British Dominion;

The Union of Soviet Socialist Republics;

The Netherland East Indies;

The Netherland West Indies;

The Belgian Congo and Ruanda-Urundi;

Greenland;

Iceland.

All credit union treasurers have received from the Credit Union National Association sufficiently detailed outlines of the regulations to cover border-line cases. Questions can be addressed to your State League or to Raiffeisen House, Madison, Wis.

A Booth at the State Fair



Again this year the Sacramento Valley Chapter of the California Credit Union League ran a booth at the State Fair. With financial support from the State League, the booth offered informative credit union material to three-quarters of a million people who attended the Fair.

Thousands of inquirers, some of them representatives of credit unions, received printed material. "The astounding revelation," says Alfred S. Dingle, who was chairman of the committee, "was that such a large number of credit union representatives appeared so eager to get this valuable

help for their own information and with few exceptions attested to the meager supply of publicity being received through the medium of their own officers and boards. This evidently indicates that a large number of credit unions are asleep at the switch in adequately supplying their officers and members with educational and informative helps, while the National Association and State Leagues all stand ready to assist every credit union at little cost in providing their members with up-to-date facts and news on the progress of the movement."

Meeting In Chicago

(Continued from page 234)

ing the paper market. This condition had grown consistently more acute, causing long delays in paper deliveries. With the paper market in this condition and with our asking for bids, our regular source of supply let their stock run down so that they had very little on hand and did not enter orders with the mills for our requirements due to the uncertain conditions both from our office and from their mills. After much discussion within the management, it was decided to place orders with our regular source for our needs for at least the next six months period. This has been done, and so far as our regular run of paper stocks is concerned we are now in a very good position both as to present needs and for future delivery.

"On the whole, it is my opinion that the Cooperative is in a very good position so far as delivery and stocks are concerned on all our general items, including raw materials and finished jobbed items. All items have advanced in price from 10 to 25 per cent, others have been discontinued.

"It is suggested that no very drastic action be taken at this time relative to general price revisions due to the rapid and constant rise in market conditions. It is also barely possible that in the near future we may be compelled to borrow some money to enable us to take our trade discounts, although we shall not do this until it becomes absolutely necessary. Our cash position has been weakened materially through the larger purchase of paper stock, and our inventory, of course, has been increased."

C. W. McKeever submitted a report on the operations of the Cooperative in which he indicated certain inefficiencies in accounting and operating methods. "It is the opinion of this committee," he commented, "that considerable progress has been made during the course of the year in the improvement of the operating conditions of CUNA Supply Cooperative, but that we should not be content to rest at this point."

Banquet for Bergengren

Roy F. Bergengren, honored at a banquet for his twenty years of service to credit unions, protested in an

impassioned speech that no one man deserved to be celebrated. He pointed out a number of credit union pioneers in the room, and he added:

"The treasurers and committee members of credit unions, who do the work and get no praise—why don't you celebrate them? Or celebrate the colored porter in Minneapolis who heard about the Filene Memorial and came into the credit union office with a twelve-dollar contribution. When the treasurer said maybe that was too much money, this colored man said he was glad to be able to do something at last for the credit union movement, because the credit union was the only friend he'd ever had."

State by State, the delegates and guests at the banquet marched to the speakers' table and turned in checks for the Filene Memorial. New totals were written on a blackboard, and there was considerable suspense as the figures approached \$150,000. They stopped ten thousand short of the goal, but, as was pointed out, many pledges still unfulfilled and several State campaigns still to be heard from place the goal within easy reach.

How Many Loans Will Be Affected By Regulation W?

(Continued from page 229)

debts is increasing. The truly liberal credit union knows from experience that under normal conditions the demand for loans is, in practice, inexhaustible; sympathetic treasurers and liberal credit committees may still find this to be true.

How adequate CUNA Mutual's sample may prove to be is, of course, open to question. The 277 credit unions that report do so as a matter of routine when insuring loans under the single-A policy; they represent under 3 per cent of the credit unions in the country, and at least in the matter of insuring loans they are clearly not "average" credit unions. But, in any case, they are the only readily accessible sample from which such a breakdown as this may be made.

It may be added that some credit union people have estimated that loan volume may be reduced about 25 per cent, and it is reported that the regulations will be further tightened at some future date until the Federal Reserve Board is satisfied that installment credit to consumers has been restricted 50 per cent. Credit is not to be choked off entirely, in the intent of the Board, but step-by-step up to a certain limit.

Whether this is cause for optimism or for pessimism will depend on the judgment and experience of the individual credit union. It may be that the restrictions will lie more lightly

on credit unions than other loan agencies, due to peculiarities of credit union practice. It may be that modifications of the regulation will be obtained; the Executive Committee of the National Association has pledged itself to work for such modifications as will not detract from the national defense program. Other groups affected—banks, finance companies, retailers specializing in installment sales—may be expected to raise a chorus of protests once their business falls to unprofitable levels.

CUNA Supply Dividends

Patronage dividends have just been mailed out by CUNA Supply based on 1940 business. The sum involved was \$7,451.21, or 5 per cent of cash received.

The patronage dividends distributed during the five years the cooperative has been operating are as follows:

1936	.....	\$1,420.70
1937	.....	2,133.11
1938	.....	1,113.47
1939	.....	3,419.85
1940	.....	7,451.21

The Ohio Credit Union League received the largest single refund made for 1940: \$798.65.

Coming Events

October 7, 8, 9, 10, 1941

Volunteer Organizers Club, Atlanta, Georgia

October 10, 11, 1941

Yosemite Institute, Yosemite Park, California

October 14, 15, 16, 17, 1941

Volunteer Organizers Club, New Orleans, Louisiana

December 6, 7, 1941

Board of Directors, CUNA Mutual Insurance Society of Chicago

December 11, 12, 1941

Board of Directors, CUNA Supply Cooperative, Chicago

December 13, 14, 1941

Executive Committee, Credit Union National Association, Chicago

January 17, 1942

Annual meeting, Virginia Credit Union League, Hotel Roanoke, Roanoke, Virginia

January 24, 1942

Annual meeting, North Carolina Credit Union League, Hotel Sir Walter, Raleigh, North Carolina

January 31, 1942

Annual meeting, New Jersey Credit Union League, Hotel Berkeley Carteret, Asbury Park, New Jersey

March 20, 21, 22, 1942

Annual meeting, California Credit Union League, Hilton Hotel, Long Beach, California



FORMS FOR REGULATION **'W'**

Regulation 'W' calls for a few forms and some amendments of existing forms. Two of these new forms are now ready. Order by Form Number.

Form Reg. 'W'-1 which has to do with Evidence of Installment Loan Credit and is required by Section 5-(c) 1

Forms Reg. 'W'-2 which has to do with loans for Medical care, etc., and is required by Section 6-(d)-(2)

These forms will sell for approximately the same selling price as standard promissory notes. Other forms will be stocked as soon as their exact form can be determined. Inquire of your State League (if handling forms) or the CUNA Supply Cooperative, Madison, Wisconsin.

ANNUAL MEETING CHARTS

Before you know it—it will be time for your Annual Meeting! *Picturize your Credit Union* at the Annual Meeting with the big, clear, self-explanatory *Annual Meeting Charts*. Nearly 1,000 credit unions used them last year and were unanimous in their praise.

There are four charts in a set, each 36 x 48 inches. The first is the "Financial Statement"; the second, "Our Credit Union's Operating Expenses"; the third, "Our Credit Union's Operating Statement"; the fourth, "The Progress of Our Credit Union."

They come in a compact kit containing also complete materials to prepare the charts, with gummed numerals, tape, etc. They are fun to make and, exhibited at your annual meeting, tell your members the whole story.

Price—\$1.25 per kit
(less 20% to League members)

"Everything for the Credit Union!"

CUNA SUPPLY COOPERATIVE
Madison **Wisconsin**

The Cuna Mutual BULLETIN BOARD



A Hospital Employees' Credit Union Writes—

The Board of Directors of our credit union were certainly amazed at the rapidity by which you acknowledged our claim covering the loan of
R S P .

It is heart rending indeed to lose such a fellow worker, to say nothing at all about the great satisfaction in not having to go to his family or co-makers to collect the balance of the loan.

In our case the insurance has more than served its purpose.

Sincerely yours,

_____, Treasurer.



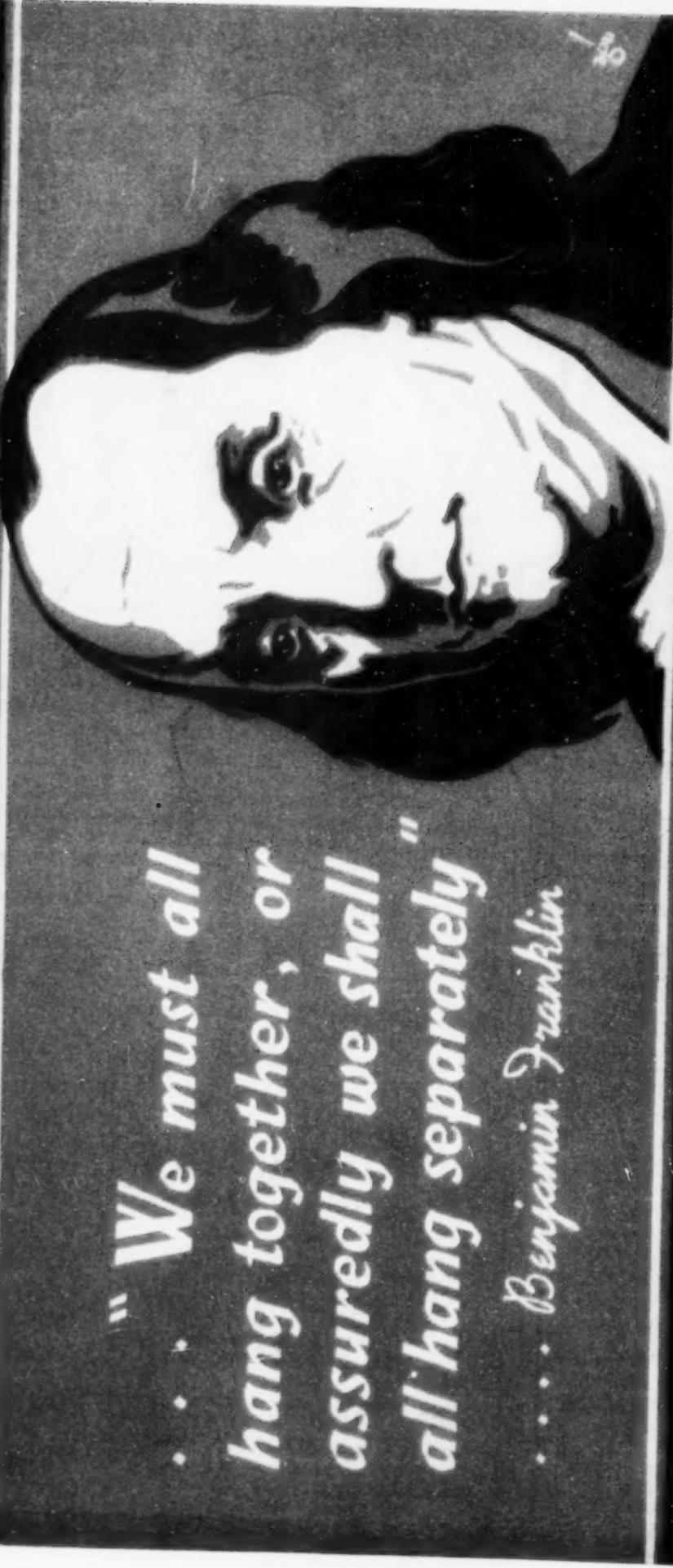
This Credit Union insures ALL loans against Death and Disability under the COMPREHENSIVE "AA" PLAN of LOAN PROTECTION.

Are you providing your members with this essential Credit Union Service?

CUNA MUTUAL INSURANCE SOCIETY
MADISON, WISCONSIN

CO-OPERATION

EACH ONE WORKING TOGETHER FOR THE BENEFIT OF ALL



"We must all
hang together, or
assuredly we shall
all hang separately"
Benjamin Franklin

SPEND WISELY. SAVE REGULARLY. BORROW PRUDENTLY
in your CREDIT UNION